

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07

NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

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FM AMEMBASSY OSLO

TO SECSTATE WASHDC 2879

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION NATO

JCS WASHDC

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SECDEF WASHDC

CINCEUR

C O N F I D E N T I A L OSLO 6176

E.O. 11652: GDS

TAGS: PFOR, MPOL, NATO, NO

SUBJECT: NORWEGIAN DEFENSE BUDGET 1977

REFS: (A) OSLO A-173, (B) OSLO 5298

BEGIN UNCLASSIFIED

1. AFTER A SOMEWHAT LACKLUSTRE NOVEMBER 26 STORTING (PARLIAMENT)

DEBATE GOVERNMENT'S 5.5 BILLION KRONER (\$1.0 BILLION AT 5.5

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KRONER EQUALS \$1.00) DEFENSE BUDGET WAS APPROVED BY A WIDE MARGIN

(93-8). ONLY SOCIALIST LEFT SPEAKERS OPPOSED AMOUNT REQUESTED SUGGESTING THAT IT BE REDUCED BY A THIRD.

2. THE 1977 DEFENSE BUDGET COVERS FOURTH YEAR OF PREVIOUSLY ISSUED FIVE YEAR PLAN AND IS CONSISTENT WITH THE MAIN GUIDE LINES THEREOF. DEFENSE PORTION OF FISCAL BUDGET (THE FISCAL BUDGET DOES NOT INCLUDE SOCIAL SECURITY OR MOST WELFARE PAYMENTS) IS 8.8 PERCENT OF THE TOTAL FISCAL BUDGET, DOWN FROM 9.7 PERCENT IN 1976. IT REPRESENTS ONLY A 3.7 PERCENT REAL INCREASE OVER LAST YEAR'S FISCAL BUDGET. REAL INCREASE AMOUNTS TO 3.25 PERCENT, IF 20 MILLION KRONER FOR COST OF ESTABLISHING NORWEGIAN COAST GUARD IS EXCLUDED. AS REF A DESCRIBES IN GREATER DETAIL, REAL INCREASE IN MILITARY EXPENDITURES OF 3.25-3.7 PERCENT (AND WOULD BE EVEN LESS IF ONE TIME F-16 START UP COSTS WERE DELETED) REPRESENTS A CONSIDERABLE LAG BEHIND 5.5 PERCENT REAL GROWTH IN FISCAL BUDGET AS A WHOLE, A SITUATION THAT IS PROJECTED TO CONTINUE THROUGH 1980. MORE SPECIFICALLY, LONG TERM BUDGET FOR 1978-80 PROVIDES FOR AN ANNUAL REAL INCREASE IN MILITARY SPENDING OF 2.6 PERCENT, INCLUDING 450 MILLION KRONER (\$82 MILLION) FOR THE COAST GUARD, COMPARED TO 4.4 PERCENT FOR THE BUDGET AS A WHOLE.

3. THE BIGGEST SINGLE ITEM IN DEFENSE BUDGET IS MATERIAL PURCHASES WHICH WILL ACCOUNT FOR 18.4 PERCENT OF TOTAL DEFENSE EXPENDITURES, COMPARED WITH 16 PERCENT IN 1976. THIS INCREASE REFLECTS PRIMARILY ADVANCE PAYMENTS FOR THE F-16 FIGHTER. MINISTER OF DEFENSE HANSEN WARNED LEGISLATORS THAT COSTS FOR THE AIRCRAFT COULD BE DRIVEN UP BY INFLATION. GON IS WAITING FOR LETTER OF OFFER, TO PRESENT FIRM FIGURES TO STORTING.

4. THE 25 STORTING SPEECHES MADE DURING DEFENSE BUDGET DEBATE CONCENTRATED LARGELY ON INCREASED SOVIET THREAT TO NORWAY, PARTICULARLY TO NORTHERN SECTION, AND ON NORWAY'S INCREASED DEFENSE RELATED RESPONSIBILITIES. SPECIFICALLY MENTIONED AMONG THE LATTER WERE ITS RECENTLY DECLARED 200-MILE ECONOMIC ZONE, PROTECTION OF THE OFF-SHORE OIL RIGS AND POSSIBLE DUTIES ARISING FROM FUTURE EXPLOITATION OF THE CONTINENTAL SHELF. THE NON-SOCIALIST SPEAKERS REFLECTED A GENERAL FEELING THAT THE COUNTRY SHOULD BE DOING MORE IN DEFENSE FIELD AND SHOULD BE ALLOCATING MORE RESOURCES TO IT PARTICULARLY IN PERIOD OF

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SOVIET BUILD UP AND ECONOMIC INFLATION.

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5. COMMENT: THERE SEEMS TO BE A GROWING POLITICAL AWARENESS OF APPARENT DISPARITY BETWEEN ON THE ONE HAND NORWAY'S MEANS AND DEFENSE RESPONSIBILITIES AND ON THE OTHER THE ACTUAL EFFORT BEING MADE. HOWEVER, SHARPLY RISING COSTS IN GENERAL AND

REQUIREMENTS OF SUPPORTING MULTIFACITED SOCIAL PROGRAMS, TO WHICH NORWEGIANS HAVE BECOME COMFORTABLY ACCUSTOMED, WILL MAKE IT VERY DIFFICULT FOR LABOR GOVERNMENT TO PUT MONEY WHERE THEIR MOUTH (AND NEED) IS. CONSERVATIVES HAVE RECENTLY ANNOUNCED THEIR

INTENTION TO CONCENTRATE ON STRENGTHENING NORWAY'S NATIONAL DEFENSE EFFORT PROBABLY INDICATING THAT DEFENSE SPENDING WILL BECOME AN ISSUE IN NEXT YEAR'S STORTING ELECTIONS. THE DEFENSE COMMISSION REPORT AND RECOMMENDATIONS ARE EXPECTED IN EARLY 1977 AND SHOULD GIVE SUPPORT TO INCREASED DEFENSE SPENDING EFFORTS.
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